
**DETERMINANTS OF FINANCIAL DISTRESS IN FOOD AND BEVERAGE
COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE**

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Abstract

The research investigates the impact of financial ratios and macroeconomic factors on financial distress. Financial ratios are measured by profitability (ROA), liquidity (CR), and leverage (DER). Macroeconomic factors are measured by inflation and interest rates. This analysis uses secondary data from 71 food and beverage companies listed on the Indonesia Stock Exchange for the period 2021–2024, yielding 124 observations tested using descriptive statistics, panel logistic regression, odds ratios, and classification accuracy. Financial distress is measured in terms of the Altman Z-score, followed by hypothesis testing with Stata 17. Findings show a negative effect of profitability and interest rates on financial distress, and a positive effect of leverage. Furthermore, liquidity and inflation are not affecting financial distress. In this study, the novelty comes from utilizing macroeconomic factors as independent variables, thereby provides new insights into the roles of macroeconomics on financial distress.

Keywords: Financial Ratios, Inflation, Interest Rates, Financial Distress

INTRODUCTION

From 2021 to 2024, Indonesia's economy faces a critical period marked by the post-COVID-19 economic recovery. According to the Indonesian economic report presented from the Central Statistics Agency (BPS), outbreak of covid-19 epidemic at the beginning of 2020 became the most severe global crisis in modern history. This is because it not only caused a health crisis but also had a far-reaching impact on all aspects of life, including the economy and society. Indonesia's economic development during that period is presented in the following graph.

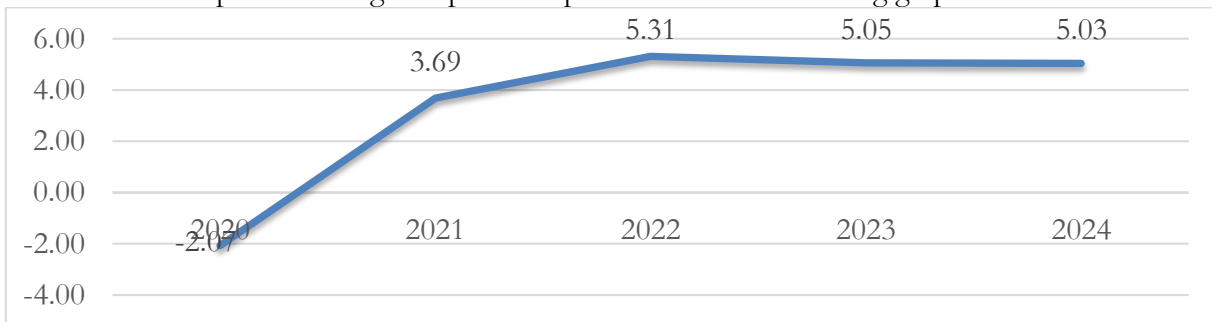


Figure 1.
Indonesia's Economic Growth

Can be seen on Figure 1 that the economy experienced a decline in 2020 which marked the occurrence of a national economic recession. However, through various government policies including the implementation of the National Economic Recovery program, economic conditions began to show improvement in 2021. Economic growth increased significantly in 2022 and then relatively stable in 2023 to 2024 although it still has to deal with global economic uncertainty. In general, these conditions show that the Indonesian economy has entered a post-pandemic recovery phase with a positive and stable growth rate. This is important to note because macroeconomic conditions describe the overall condition of a country (Rachman, 2022).

In line with the national economic recovery, the manufacturing sector has shown a strategic role in supporting Indonesia's economic growth. Based on Indonesian Quarterly Gross Domestic Product (GDP), released by Central Statistics Agency (BPS), manufacturing industry is one of the business fields with the largest contribution on a national Gross Domestic Product (GDP). Then, food and beverage subsector is the main contributor to the sector. Along with the development of sector classification system by Indonesia Stock Exchange, the manufacturing industry has been divided into consumer cyclical and consumer non-cyclical sectors. Meanwhile, food and beverage subsector is classified as consumer non-cyclical which has relatively stable demand characteristics because it is related to the basic needs of the community. The contribution of the manufacturing sector and the food and beverage subsector to the Indonesian economy is presented in the following graph.

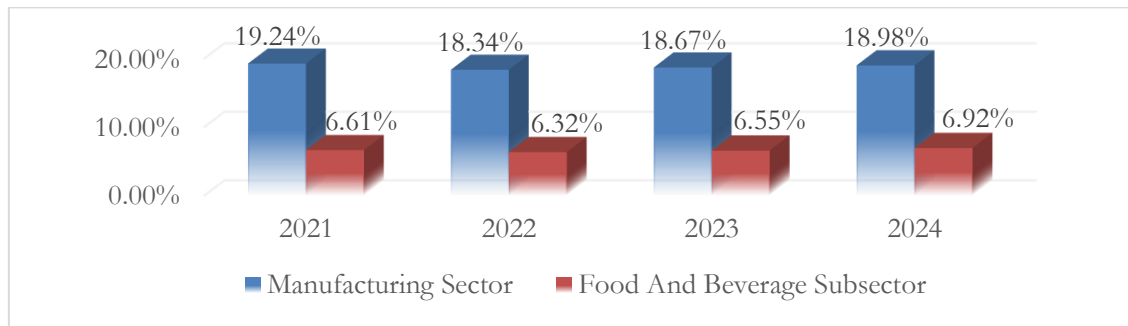


Figure 2.
Contribution to GDP

Can be seen on Figure 2 that the manufacturing sector remains the main contributor to the national economy during the economic recovery period. Then, the food and beverage subsector showed a dominant role. The contribution of this subsector is not only consistent, but also tends up from year to year. All of this indicates the food and beverage subsector has relatively strong durability and is one of the main drivers of the national manufacturing sector. This condition reflects corporate performance in food and beverage subsector has an important position in maintaining the stability of the manufacturing sector, so an analysis of financial condition in this subsector also relevant to be carried out.

Although the food and beverage subsector shows relatively stable conditions for the national economy, these conditions do not guarantee the company financial stability within it. Dynamics in the post-pandemic economic recovery accompanied by external pressures, such as rising interest rates and inflation, can affect a company's financial performance (Amin & Hidayah, 2023; Dewi et al., 2023). This pressure can cause decline of company's performance, then increasing risk of financial distress, if ignored, will lead to bankruptcy (Adristi et al., 2025).

Financial distress amount to situation in a companies encounters a drop the capacity to satisfy its liabilities, including both immediate and long-term debts (Anisa et al., 2023). Financial distress represents as the initial phase of the company before it reaches its lowest point or goes bankrupt (Kalbuana et al., 2022). Companies that cannot manage financial performance and are financially weak are more vulnerable to the risk of financial distress (Samara & Susanti, 2021; Kaya et al., 2025). So, it will be more vulnerable to economic pressure, even though it operates in a stable sector. This shows that the stability of the sector does not always reflect the company financial situation within it.

This condition is reflected in the phenomenon of company delisting from IDX. Among 2021 until 2024, during that time a number of companies from various sectors were recorded to have experienced delisting due to declining financial performance and business sustainability in the business world (Candradewi & Rahyuda, 2021). Although in that period there were no companies from the food and beverage subsector that underwent delisting, several companies were threatened with delisting because it had been more than six months since the suspension. In 2024, there are two food and beverage subsector companies that are threatened with delisting, namely PT Golden Plantation Tbk (GOLL) and PT Multi Agro Gemilang Plantation Tbk (MAGP) (BEI, 2024).

Meanwhile, in 2025, there are four companies that are threatened with delisting, namely PT Golden Plantation Tbk (GOLL), PT Multi Agro Gemilang Plantation Tbk (MAGP), PT Indo Purecoz Pratama Tbk (IPPE), PT Widodo Makmur Perkasa Tbk (WMPP) (BEI, 2025). This shows that the food and beverage subsector still has financial risks to watch out for.

According to Adristi et al. (2025) and Setiyoharini & Taufiqurahman (2022), financial distress can be brought on by both internal and external causes. Financial measures like profitability, liquidity, and leverage can be used to evaluate a company's internal variables (Adristi et al., 2025; Anisa et al., 2023; Dewi et al., 2023). In the meantime, macroeconomic conditions specifically inflation and interest rates are the source of external influences that could impact a company's financial stability (Amin & Hidayah, 2023). These elements are crucial because they could act as early warning signs of impending financial difficulties. The results of previous studies on the relationship between financial distress and profitability, liquidity, leverage, inflation, and interest rates was inconsistent. While some research found an insignificant correlations, others reported significant positive or negative effects. These discrepancies show that the factors influencing financial distress are still unclear and need more research.

Above research shows inconsistent results or research gaps. So the researcher is attracted to conducting this research. Novelty these study is that previous research carried out by Dewi et al. (2023), Safitri & Yuliana (2021), Candradewi & Rahyuda (2021), and Sari et al. (2025) examining at the sector level. The researchers tried to research at the subsector level with a four-year period. In addition, the research Dewi et al. (2023) only examines macroeconomic variables in the form of inflation, while Safitri & Yuliana (2021) examining macroeconomic variables in the form of inflation as a moderation variable. The researcher used macroeconomic variables in the form of inflation and interest rates as independent variables. This study is anticipated to contribute to the body of knowledge on financial distress. It will also help investors and management recognize possible financial distress early on. The research aims to find out the extent to which an influence of profitability, liquidity, leverage, inflation, and interest rates on financial distress in food and beverage subsector companies listed on IDX for 2021-2024.

REVIEW OF LITERATURE

As a foundation for understanding potentially arising financial distress, this study draws on the signal theory proposed by Michael Spence (1973). In signal theory, financial information published by a company acts like a signal that reflects the finances of the company to external parties (Lindrianasari et al., 2025). If the signal given is negative, financial condition for the company is not good. This will make it difficult to get investors which will trigger distress and lead to bankruptcy (Safitri & Yuliana, 2021). Utilizing this theory, investors and creditors analyze these financial indicators to evaluate the company's health. Rather than communicating with management, this theory emphasizes how financial data diminishes information gaps, enabling outside stakeholders such as investors and lenders to gauge the company's actual status and make well-informed choices (Lindrianasari et al., 2025). Thus, financial distress conditions can be identified early through information conveyed through the company's financial statements (Adristi et al., 2025).

Financial distress begins with corporate inability current and non-current liabilities must be paid off (Adristi et al., 2025; Anisa et al., 2023). Various figures around the world discuss the

company's failure with various methods. Beaver (1966) Defines financial distress as a condition when a company experiences consecutive negative profits due to low cash flow. The approach taken by Beaver (1966) applying financial accounting ratios. Then, Altman (1968) introduced a model called Z-score consists of five financial ratios to predict financial distress in manufacturing companies that have gone public. A few years later Altman et al. (1977) revealed a new model namely ZETA which is intended for certain sectors and private companies. Then in the original model the Altman Z-Score underwent revision and modification intended for non-manufacturing companies (Altman, 2000).

Financial distress is caused in two main components, namely external and internal factors (Adristi et al., 2025; Setiyoharini & Taufiqurahman, 2022). Internal factors can seen on the companies financial performance analyzeable through ratios sourced from financial statements, for example profitability, liquidity, and leverage ratios (Adristi et al., 2025; Anisa et al., 2023; Dewi et al., 2023). That ratio is appears in financial statements to find out how well the company is performing (Safitri & Yuliana, 2021). This ratio can serve as initial evidence to detect financial distress, due to it describes a companies capability to make earnings, fulfill liabilities and ensure the a stable capital structure. The ratios used by the researcher are profitability measured with return on assets (ROA), liquidity ratio measured with current ratio (CR), and leverage ratio measured with debt to equity ratio (DER). Meanwhile, external factors caused by macroeconomic conditions, namely interest rates and inflation (Amin & Hidayah, 2023).

Profitability is a measure to determine a companies abilities to provide profit through their assets (Adristi et al., 2025; Dewi & Efendi, 2023). High level of profitability indicates the capability for effectively utilize assets and generate profits, thus enabling the company to carry out operational activities and meet its liabilities (Kalbuana et al., 2022). Effective use of assets can increase profits, while ineffective use of assets causes financial distress that leads to bankruptcy (Anisa et al., 2023). Therefore, profitability plays an essential tool for assessing a company likelihood experiencing financial distress. In the context of signaling theory, the ability to generate profit serves as an positive signal to investors, suggesting effective operations and lowering the perceived chance of financial distress. Previous research by Safitri & Yuliana (2021) stating that profitability significantly influences financial distress negatively. In other words, the higher a companies profitability, then smaller the the possibility to facing financial distress. These findings are supported by Kalbuana et al. (2022), Adristi et al. (2025), Dewi & Efendi (2023), Umam & Yusuf (2024), and (Yuniar et al., 2024). In contrast, a difference in the results was found by Sitompul et al. (2025) and Amaroh (2023) conveying that profitability significantly influence financial distress positively. Other findings were conveyed by Anisa et al. (2023), Setiyoharini & Taufiqurahman (2022), and Azizah & Yunita (2022), that profitability has no impact to financial distress.

Liquidity indicates a a firm's abilities in fulfilling its current liabilities (Adristi et al., 2025). The stronger the financial liquidity of a company, the better its financial situation is, as it signifies that the company is prepared to meet its liabilities, thereby lessen possibility to encountering financial distress. (Adristi et al., 2025; Anisa et al., 2023). Thus, relevant liquidity is used to assess the possibility of financial difficulties facing by companies. From a signal theory standpoint, this ratio acts as an positive signal to creditors, showing the firm's ability to fulfill immediate financial responsibilities and consequently reducing the chances of financial distress. Previous research by Candradewi & Rahyuda (2021) points out liquidity significantly influences financial distress

negatively. These findings are supported by Sari & Wahyuni (2023) and Oktavia & Komara (2025). This means that higher the companies liquidity, less likely it will experience financial difficulties. However, in contrast findings were conveyed by Azizah & Dumilah (2023) and Amoa-Gyarteng (2021) that liquidity positively and significantly impacts financial distress. These findings also contradict with Dewianawati & Setiawan (2022) and Setiyoharini & Taufiqurrahman (2022) who stated that liquidity is not affecting the financial distress.

Leverage describes a company's funding structure and how much of the company's assets are resourced from debt (Amin & Hidayah, 2023). The lower a leverage of companies, indicates funding in good condition. Meanwhile, the greater leverage, higher the use of debt, which can cause financial distress (Anisa et al., 2023). This shows that leverage plays an important role in describing the risk of financial distress. In the context of signaling theory, substantial leverage serves as an unfavorable indication to prospective investors, as it conveys an increased likelihood of default and financial distress. Previous research by Safitri & Yuliana (2021) shows that leverage has a positive and significant effect on financial distress. This finding is supported by Rachman (2022) and Kaya et al. (2025). That means the greater debt ratio, the greater risk companies face financial distress. However, these findings differ from Azyyati et al. (2025) and Maulidina et al. (2025) points out leverage had a negative impact to financial distress. Different findings were also conveyed by Sari & Wahyuni (2023) and Sari et al. (2025) said that leverage doesn't have an impact on financial distress.

Inflation is defined as a sharp rise of prices of products and services for a relatively long period of time (Dewi & Efendi, 2023). Researcher used macroeconomic variables, specifically inflation, as an external factor to measure its impact on financial distress. High inflation serves as an external influence that communicates negative signal to the market, suggesting rising operational expenses that could constrict profit margins and elevate the likelihood of financial distress. Previous study by Rachman (2022) shows that inflation has a significantly positive impact to financial distress. In other words, the greater inflation rate, the greater financial difficulties a company faces. Different findings are shown by Wijaya et al. (2023) shows a significant negative influence of inflation to financial distress. These findings are supported by Dewi et al. (2023) and Sari et al. (2025). However, it is different from the results delivered by Candradewi & Rahyuda (2021) and Oktavian & Handoyo (2023) in which inflation had no impact on financial distress.

Interest rates are monetary policies set by Bank Indonesia that are announced in the form of percentages and serve as a benchmark for a country's economy (Hendrawan et al., 2022). An increase in interest rates can lead to higher capital costs, which in turn can drive up operating expenses, potentially causing companies to incur losses and even facing financial distress (Refni et al., 2021; Suriani et al., 2024). High interest rates function as a warning to outside parties, suggesting that the cost of capital is on the rise, which may reduce net earnings and heighten the risk of the business facing financial distress. This is supported by Sari et al. (2025) and Refni et al. (2021) shows interest rates positively and significantly impact financial distress. In other words, the greater interest rates, the greater ability the company experiencing financial distress. Another findings are delivered by Suriani et al. (2024), Hendrawan et al. (2022), and Saputra & Kusumastuti (2023) in which interest rates had no impact on financial distress. Figure 3 shows research framework.

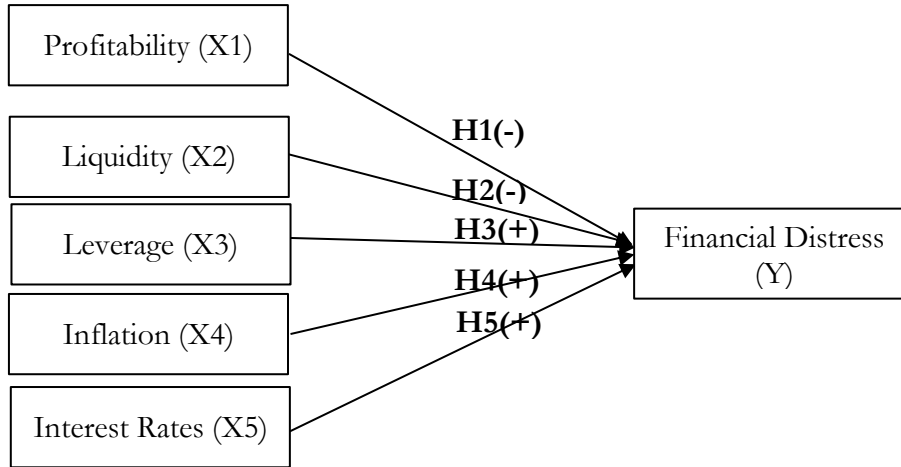


Figure 3.
Research Framework

RESEARCH METHOD

This research applied a quantitative methodology, with a population of 71 food and beverage companies listed on the Indonesia Stock Exchange (IDX) for 2021–2024 period. It selected a sample of food and beverage companies using a purposive sampling based on criteria that can be viewed in the Table 1.

Table 1.
Sampling Criteria

No.	Criteria	Number
1.	Food and beverage subsectors listed on the Indonesia Stock Exchange (IDX) in the 2021-2024 period	71 companies x 4 year 284 observation
2.	Observations that do not publish financial statements in a given year	(36)
3.	Observations that have suffered losses in a given year	(51)
4.	Observations that do not meet complete information for the relevant variables in a given year	(0)
5.	The amount of data that goes into the gray area	(73)
Number of Observations		124 observation

This research uses two variables, namely independent variable (X) and dependent variable (Y). The operational definition is as follows. Financial distress (Y) is assessed through the original Altman Z-Score model. This study utilizes the original Altman Z-Score model to determine the financial condition. Firm with Z-score lower than 1.81 are identified distress, conversely, those exceeding 2.99 are seen as healthy. The gray area (Z-score ranging from 1.81 to 2.99) is termed a zone of uncertainty due to a significant chance of misclassification errors. These observation with gray zone are omitted from the analysis to mitigate the risk of misclassification bias. This study

adopts a binary classification, where distressed firms are designated as 1 and healthy firms as 0. The Altman Z-Score is calculated as a thorough assessment of financial health and ability to meet company liabilities (Dumitrescu et al., 2025). Profitability is projected by Return on Assets (ROA), a measure of a company's asset efficiency calculated by dividing net profit by total assets (Kalbuana et al., 2022). Liquidity is calculated using the Current Ratio (CR) by comparing current assets and current liabilities (Dewianawati & Setiawan, 2022). Leverage is represented by Debt to Equity (DER) which compares total liabilities and total equity (Amin & Hidayah, 2023). Meanwhile, inflation and interest rates are obtained through data reported by BPS. In particular, this research employs the yearly inflation rate along with the yearly BI Rate to maintain alignment with the annual financial reporting timeframe. The data obtained was then processed using a logistic regression panel with Stata 17 software, starting with descriptive statistics, logistic regression, odds ratio, and classification accuracy based on predicted values. This study used Random Effect as an estimation model. According to Baltagi (2021) In the Fixed Effect model, observations that do not change, such as always distressed or always healthy, will not contribute to the likelihood function so they will be eliminated. This highlight a limitation of the Fixed Effect on the data panel, so the Random Effect model was chosen to ensure that the information obtained can remain representative of all observations.

RESULTS AND DISCUSSION

Table 2.
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FD	124	.258	.439	0	1
ROA	124	.081	.064	.0000875	.343
CR	124	2.806	2.525	.085	13.396
DER	124	.86	.859	.064	4.964
INF	124	2.832	1.535	1.57	5.51
IR	124	5.278	1.029	3.5	6

The descriptive statistics in Table 2 indicates that a dependent variable, namely financial distress (FD) measured using a dummy variable, has a standard deviation value of 0.439 ranging between 0 and 1. Average value in 0.258 indicates that the number of distressed companies is less than that of healthy companies. Current Ratio (CR), as defined by comparison of current assets and current liabilities, has a fairly wide variation, with values ranging from 0.085 to 13,396 and a standard deviation of 2.525. It showed the large differences of liquidity between companies. Return on Asset (ROA) divides net profit by total assets has a relatively small average mean score 0.081 with a range between 0.0000875 and 0.343, which reflects that all sample companies recorded profits in the study period with varying values. Debt to Equity Ratio (DER), as defined by comparison of total liabilities and total equity, has a mean score 0.86 with a standard deviation of 0.859 and range between 0.064 to 4.964, indicating a difference in capital structure and debt burden between companies. Meanwhile, Inflation (INF) and Interest Rate (IR) have a relatively narrow range with standard deviations of 1.535 and 1.029, respectively, indicating fairly stable macroeconomic conditions during the study period.

Table 3.
Panel Logistic Regression

FD	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
ROA	-.447	.174	-2.56	.010	-.789	-.105	**
CR	.504	.604	0.84	.404	-.679	1.688	
DER	.131	.034	3.91	.000	.065	.197	***
INF	-.434	.987	-0.44	.660	-2.368	1.499	
IR	-2.652	1.238	-2.14	.032	-5.08	-.225	**
Constant	-7.365	7.738	-0.95	.341	-22.531	7.802	
lnsig2u	5.505	.527			4.472	6.539	
Mean dependent var		0.258	SD dependent var			0.439	
Number of obs		124	Chi-square			22.216	
Prob > chi2		0.000	Akaike crit. (AIC)			55.144	

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 4.
Odds Ratio

FD	Odds ratio	Std. err.	z	P>z	[95% conf.	interval]
ROA	0.639	0.111	-2.56	0.010	.4545	.899
CR	1.655	0.999	0.84	0.404	.5070	5.406
DER	1.140	0.038	3.91	0.000	1.067	1.218
INF	0.647	0.638	-0.44	0.660	.093	4.478
IR	0.070	0.087	-2.14	0.032	.006	.798
_cons	0.0006	0.004	-0.95	0.341	1.64e-10	2445.01
/lnsig2u	5.505	0.527			4.471	6.538
sigma_u	15.684	4.134			9.355	26.295
rho	0.986	0.006			.963	.995

Logistic regression outcomes are shown in Tabel 3, values of Prob > chi2 of 0.000<0.05 indicates that the model is feasible or fit, suggesting that the independent variables together make a contribution on predicting the likelihood of financial distress, with the following regression equation:

$$FD = \beta_0 + \beta_1 ROA + \beta_2 CR + \beta_3 DER + \beta_4 INF + \beta_5 IR$$

$$\ln \frac{FD}{(1-FD)} = -7.365 - 0.447 ROA + 0.504 CR + 0.131 DER - 0.434 INF - 2.652 IR$$

The hypothesis testing results can be seen in Tabel 3 and Tabel 4 showing the significant impacts of profitability, leverage, and interest rates on financial distress. ROA, having a p-value at 0.010 with a coefficient of -0.447, means profitability has negative and significant influence at $\alpha = 0.05$ (5%). The odds ratio value of 0.639 (<1) indicates that a one-unit rise in ROA can decreases the odds of financial distress by a factor of 0.639, so H1 is accepted. These findings show that

profitability plays a key role in drastically reducing the chances of financial distress. In food and beverage subsector companies that are included in non-cyclical consumers, this emphasizes that demand stability still needs to be supported by the ability to generate profits. For companies in the food and beverage subsector facing narrow profit margins, achieving a strong return on assets serves an essential internal safeguard, indicating that the business has effectively refined the operational expenses and pricing approach to endure market competition. This is consistent with signaling theory, which states that high profit margins send a positive sign for investors about a companies finance condition. These results are consistent with Safitri & Yuliana (2021), Kalbuana et al. (2022), Adristi et al. (2025), Dewi & Efendi (2023), Umam & Yusuf (2024), and (Yuniar et al., 2024). Furthermore, a DER with a p-value of 0.000 and a coefficient of 0.131 suggest leverage positively and significantly affects at $\alpha = 0.01$ (1%), until H3 is accepted. Then the odds ratio value of 1.140 (>1) indicates that every single unit gained in DER improves changes the odds of financial distress by 1.140 times. Although this subsector is relatively stable, high debt levels still increase the opportunity for financial distress. This connection illustrates the funding framework typical of the Indonesian food and beverage subsector, characterized by a substantial reliance on outside borrowing that greatly heightens the cost of interest. This situation renders businesses especially sensitive to fluctuations in the broader economy, particularly when their operational revenues do not meet their debt repayment responsibilities. In perspective of signal theory, high leverage is a negative signal for investors, so these results support the theory. These results are consistent with Safitri & Yuliana (2021), Rachman (2022), and Kaya et al. (2025). Then the interest rate having p-value at 0.032 with a coefficient of -2.652 means interest rate had a negative and significant influence a $\alpha = 0.05$ (5%). Odds ratio value at 0.070 (<1) shows that every one-unit rise in interest rate decreases the odds of financial distress by a factor of 0.070, then H5 is rejected. Although this reverse correlation may seem illogical at first glance, it can be understood within the context of Indonesia's recovery phase following the pandemic (2021–2024). Throughout this period, the food and beverage industry reaped the rewards of specific financial incentives and debt restructuring efforts, enabling businesses to sustain strong cash flow and mitigate the potentially adverse effects of monetary policies aimed at tightening credit on their financial stability. However, these findings do not fit into the perspective of signal theory that high interest rates are a negative signal for investors, so these results do not support the theory.

In addition, liquidity and inflation do not contribute to financial distress. Current ratio (CR) with a p-value of 0.404 and a coefficient of 0.504 indicates liquidity had no impact on financial distress and H2 is rejected. This shows that the availability of current assets does not determine whether this sub-sector company will experience distress or not. This implies that the demand for food and beverage items, driven by needs, creates a stability that lessens the dependence on immediate cash flow as a key sign of financial health. These results show a discrepancy with signal theory that shows that liquidity is a signal in predicting financial distress. Findings are consistent with Dewianawati & Setiawan (2022) and Setiyoharini & Taufiqurahman (2022) who stating that liquidity had no impact on financial distress. In the meantime, inflation having p-value of 0.660 and coefficient at -0.434 means inflation had no impact on financial distress, so H4 is rejected. This shows that inflation fluctuations not having a direct effect on financial distress in companies in these subsector. Stable demand in food and beverage subsector means the companies are not affected by inflation fluctuations. This demonstrates that food and beverage companies have

enough control over their pricing to transfer the effects of inflation to customers, thus safeguarding their financial outcomes from these broader economic disturbances. Within the framework of signal theory, these results show that inflation has not been able to act as a signal indicator financial condition in company, so it does not support signal theory. These findings are consistent with Candradewi & Rahyuda (2021) and Oktavian & Handoyo (2023) that inflation had no effect in financial distress.

Table 5.
Classification Accuracy

FD	pred		
	0	1	Total
0	90	2	92
	97.83	2.17	100.00
	72.58	1.61	74.19
1	18	14	32
	56.25	43.75	100.00
	14.52	11.29	25.81
Total	108	16	124
	87.10	12.90	100.00
	87.10	12.90	100.00

The classification accuracy results are shown in Table 5. The logistics regression model obtained a prediction success rate of 83.87%. Out of a total of 124 observations, the model managed to correctly predict 104 observations, consisting of 90 healthy companies and 14 distress companies. This model is very strong in predicting healthy companies with an accuracy rate of 97.83%. Although the model's ability to predict company distress is lower at 43.75%, the accuracy rate of 83.87% demonstrates model feasibility to predicting financial distress in this study.

CONCLUSION

The research concludes that profitability, leverage, and interest rates are important factors that determine the possibility of financial distress companies in food and beverage subsector listed on the Indonesia Stock Exchange (IDX) for 2021–2024 period. Using too much debt is a main reason for financial trouble, while being profitable helps reduce that risk. Interestingly, the study reveals that interest rates are negatively associated with financial distress. This means that between 2021 and 2024, companies that had strong financial bases and steady customer demand could use government supported debt reorganization and financial aid to manage and reduce their increasing costs related to debt, using their business earnings. On the other hand, liquidity and inflation did not have a major effect on financial distress. This means that in the essential goods subsector, how well a company does financially is more about how efficiently it runs its operations and how much control it has over its prices, rather than how much cash or other assets it has right now or how much prices overall are going up or down. Limitations of this study center on limited sample coverage in one subsector and short observation period so that the generalization of the results must be done carefully. The next study is recommended to expand the sample size and add other variables such as corporate governance to obtain more in-depth analysis results. Based on these

findings, the implication for practitioners or management is that companies must manage debt structures as well as optimize operations. On the other hand, for investors, profit stability indicates positive financial conditions for the company, while rising debt is a negative signal that needs to be anticipated in investment decision-making.

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